

## CO-OPERATIVES IN VICTORIA

A brief examination of the co-operative movement in Victoria reveals a wide disparity across the various sectors in membership strength, asset backing, financial success and co-operative practice.

In terms of financial strength and membership numbers, the largest sector is the credit co-operatives with 450,200 members and assets of \$1,178 million. In numbers of co-operatives, the great majority registered under the Co-operation Act are community advancement societies—that is co-operatives, generally set up by schools or social organisations to take out government guarantees on loans raised for construction purposes or equipment purchases. Of the 1,378 co-operatives registered under the Co-operation Act, almost half (657) are community advancement societies in receipt of guarantees. Community advancement societies—which include aboriginal, child care and rental housing co-operatives—make up more than two-thirds of the co-operatives registered under the Co-operation Act.

If one takes into account the emerging food and worker co-operatives, this means that the bulk of co-operatives in Victoria are small, community-based with a low asset backing. Community advancement societies have a total asset backing of only \$41 million.

Trading and producer co-operatives are the oldest and most developed sectors in Victoria. 106 of them are registered under the Co-operation Act 1981 with a combined membership of 100,700 and an asset base of \$22.1 million. 16 of the larger, capital intensive agriculture co-operatives lie outside the Co-operation Act. When the Co-operation Act was first promulgated in 1953, these co-operative companies preferred to remain under the Companies (Vic) Code. With assets of \$332.4 million, the co-operative companies dominate the rural co-operative sector, (see Appendix C). A recent survey of co-operative companies which included their subsidiaries estimated their asset base at \$720 million—almost double the official figure.

Another large group of asset rich co-operatives outside the Co-operation Act are the co-operative housing societies which operate under their own Act—although this is administered by the Registry of Co-operatives. Co-operative housing societies number 1,290, have over 40,000 members and an asset base of \$472.1 million, (see Appendix D).

Both these groups which are outside the Co-operation Act are influential members of Victoria's only tertiary level body for co-operatives, the Co-operative Federation of Victoria.

Industrial and Provident Societies also fall within the auspice of the Registry of Co-operatives. There are 29 of these societies with diverse objectives ranging from insurance broking and primary industry marketing to exploration and the provision of dental services. (See Appendix E)

Industrial and Provident Societies operate under their own Act with their annual returns being monitored by Corporate Affairs. As Appendix E demonstrates, many of the societies have not made an annual return for a number of years and at least 8 societies must be presumed inoperative. Total assets of this sector are \$13 million.

Few co-operative sectors have attempted to co-ordinate their activities by setting up associations. This lack has no doubt contributed to the fragmented nature of Victoria's co-operative movement, and sector association development is one of the top priorities identified by MACC.

Under the Co-operation Act 1981, associations can be formed by five or more co-operatives of the same kind. Only three associations exist, one of which—the Artificial Breeders and Herd Improvement Association—is highly specialised in nature. The other two associations both fall within the credit co-operative sector.

As the table on the following page demonstrates, Victoria's co-operative movement is currently declining in numbers due to rationalisation, although, membership, assets and business done is increasing. The table only provides statistics for those co-operatives registered under the Co-operation Act. The size and assets of co-operative housing societies, co-operative companies and the industrial and provident societies are contained in Appendices C, D and E.

Clearly, there is further potential for development both of existing and new types of co-operatives. In the latter area, for instance, the State Ministry of Arts has commissioned a study into the development of co-operatives for performing artists and for the management of galleries for those producing arts and crafts.

Other future applications for co-operatives could be in the field of:

- (a) Health care. Community-based health centres could be managed by staff, patients and community representatives as co-operatives;
- (b) Legal aid. Again, these community based centres could become responsible directly to their users and staff by functioning as co-operatives;
- (c) A co-operative trading company to assist co-operatives in boosting exports;
- (d) Public broadcasting. A number of community radio stations have already been set up as co-operatives, mainly in country Victoria.

In the following sections, the current status of the various sectors is detailed.

## CO-OPERATION ACT, 1981—FIVE YEAR STATISTICAL INFORMATION— RELATING TO NUMBER OF CO-OPERATIVES, ASSETS AND MEMBERSHIP IN VICTORIA

A = No. of societies registered.

B = No. of annual returns submitted.

C = Total assets (\$millions).

D = Total Membership (000's)

	30 JUNE 1980				30 JUNE 1981				30 JUNE 1982				30 JUNE 1983				30 JUNE 1984				30 JUNE 1985			
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D
PRODUCER	70	36	20.9	45.5	68	54	21.0	42.3	68	58	13.4	31.8	68	52	14.1	31.8	67	44	10.8	31	66	66	12.0	45.2
TRADING	106	83	16.8	77.4	108	72	14.0	44.1	106	77	16.5	77.9	107	87	19.7	91.7	104	67	20.7	95	108	104	22.1	100.7
COMMUNITY SETTLEMENT	29	21	3.0	0.34	28	19	2.8	0.39	28	18	3.3	0.41	29	19	3.1	0.45	24	19	3.9	0.47	25	25	4.1	0.42
COMMUNITY ADVANCEMENT	991	847	25.7	79.5	1028	770	26.5	97.1	1030	843	32.4	97.1	1027	890	39.6	112.9	1035	809	39.9	102.8	1001	975	41.6	100.1
CREDIT	214	192	562.2	321.2	210	182	671.9	390.8	207	178	823.5	388.5	207	161	907.4	395.3	204	143	1025.9	427.1	174	174	1178	450.2
ASSOCIATIONS	4	3	56.4	0.16	4	3	37.9	0.15	5	3	58.9	0.15	5	4	118.5	0.16	5	5	105.5	0.16	5	5	122.9	0.15
FEDERATIONS	-	-	-	-	-	-	-	-	-	-	-	-	1	1	0.044	0.043	1	1	0.033	0.053	1	1	0.033	0.053
TOTAL	1414	1182	685.0	524.1	1446	1100	774.1	574.85	1444	1177	948.0	595.9	1444	1214	1102.4	632.3	1440	1088	1206.7	656.6	1378	1350	1380.7	696.4

Note: The statistics rely entirely on those contained in annual returns from co-operatives. As can be seen, not all co-operatives forward returns for the required period.  
The number of returns received varies yearly and those not received are not always the same as in other years.

## TRADING

Started in 1896, the Cheltenham and District Co-operative is Victoria's oldest co-operative still in business.

In a trading co-operative, goods are purchased wholesale to lower costs and retailed to members and the public. Many were originally established by groups facing hard times as a means of ensuring a continued supply of goods.

Most trading co-operatives are found in country centres and range from retailers and supermarkets through to tip trucks, travel agencies, hotels and fisheries.

Trading co-operatives involved in food supply differ in scale from the emerging, small-scale food co-operatives. Bendigo Trading, for instance, has over 6,000 members and an annual turnover in the region of \$2 million.

Due to the extremely competitive nature of the food industry, particularly in recent decades from supermarket chains, many long standing food co-operatives have diversified their range of goods into non-food areas, such as liquor, fuel or other commodities. Others have adopted a different strategy and have diversified into wholefoods where competition is less severe.

There are 106 trading co-operatives, with 100,700 members and an asset backing of \$22.1 million. Three of the large co-operative companies are trading co-operatives.

## PRODUCER

One fifth of Australia's rural output is produced by Victoria. Co-operatives play an important part and could be a viable alternative to the agribusiness firms which are making a heavy impact, forcing farmers to accept less for their produce as these giant firms increasingly monopolise agricultural markets.

In producer co-operatives, farmers pool their resources to produce goods and services in areas ranging from strawberries to seeds, and eggs to pigs.

Victoria's first producer co-operative was a milk processing co-operative, the Cobden and District Co-operative Pioneer Butter and Cheese Factory, which commenced operation in 1888. Today, Victoria produces about 67% of Australia's milk, which is almost all processed co-operatively. The dairy factories have combined to co-ordinate their activities through an association.

Besides the 8 dairy co-operative companies, and 4 fruit and one fertiliser co-operative companies, there are 66 producer co-operatives with 45,200 members and assets of \$12 million.

Co-operatives could play a crucial role in that they would ensure that the farmers retained control over their produce.

In many countries, the co-operative system of agriculture ensures orderly marketing, providing farmers with a more equitable return on their produce and thereby preventing agribusiness from taking control over the food chain.

## CREDIT

Although public servants were responsible for establishing Victoria's first credit co-operative in 1905, credit co-operatives did not catch on until the launching of the National Catholic Rural Movement (NCRM) in 1939. The NCRM set up rural, parish credit unions providing loans to farmers for everything from seed potatoes to fencing equipment. The Victorian Credit Co-operative Association was launched by the Association of Catholic Co-operative Credit Societies after it had learnt from the failure of the NCRM how important it was to provide strength and stability by having a central co-ordinating body.

During the 1950s trade unions became active in establishing credit co-operatives among their members in hospitals, factories and schools.

In a credit co-operative, financial resources are pooled within a community-based framework or an employment-related bond in order to provide financial services to user members within the bond.

Financial deregulation has led to amalgamation of credit co-operatives. In the last five years, credit co-operatives have reduced in number by 40. Over the same period, however, there has been a total membership increase of 40% and an increase in total assets of 109%.

Loans by credit co-operatives have traditionally been concentrated in the area of consumer finance. At June 30th, 1985, total outstanding loans of the credit co-operative movement in Victoria were \$907 million.

The sector has two associations. Representing the majority (108) of credit co-operatives, the Victorian Credit Co-operative Association has established a central financing facility which pools member funds, and has an annual turnover of \$5 billion. At the end of the last financial year, VCCA affiliates had a total membership of 420,379 with aggregate assets of \$1,110 million.

The smaller association, Southern Credit Co-operative Association, represents the interests of 13 credit co-operatives, with a total membership of 48,028 and assets of \$113 million.

Recent amendments to the Co-operation Act have established a Credit Co-operatives Reserve Board to administer the \$12 million reserve fund which is in place to protect depositors against losses. The new Board has wider discretionary powers in relation to prudential monitoring, than the Credit Societies Guarantee Fund Advisory Committee, which it replaces.

The challenge which confronts credit co-operatives on how best they can carve out a market niche, is discussed in the finance section of the next chapter.

It should be noted that the terms credit union and credit co-operative are interchangeable. The latter term is used throughout this report.

## COMMUNITY ADVANCEMENT

In a community advancement co-operative, membership comes from within a limited sphere of a community or bond, with the objective of providing a service or product to that community or bond. In this type of co-operative, the actual end users are not usually granted membership.

An innovation of Victoria's first Co-operation Act in 1953 was the provision for government guarantees used mainly by community development programs.

Despite initial doubts, this scheme has proved highly successful with 1827 guarantees having been approved, largely for school or social club projects.

## CHILD CARE

There are 214 publicly funded child care centres in Victoria.

Most of these centres are community-based, being managed either through a parent-run management committee or a committee auspiced by a local council. All of the centres are in receipt of Federal or State Government operational subsidies which enable them to provide low cost child care.

Fifty-six of the centres are co-operatives and, until recently, they had little contact either with each other or the Registry. As part of the MACC process, Registry staff met with child care co-operatives at the end of 1984. As a result of that meeting new Model Rules and a Registration Guide have been drafted for child care co-operatives in consultation with the sector's resourcing group, Community Child Care.

Democratically-managed, parent run centres ideally fall within the co-operative model, and the Registry has been encouraging new and unincorporated centres to become co-operatives. 42 child care centres are expected to come into operation in the coming year, many of which are expected to register as co-operatives. In a child care co-operative, the parent users should constitute more than two thirds of the membership, and the centre is run according to co-operative principles.

Given their expressed needs for a forum and management training for directors, child care co-operatives should be given every encouragement in the development of a sector association.



## **ABORIGINAL**

Co-operatives are commonly used by the Aboriginal community to meet its housing, health and welfare needs. Of the 46 incorporated Aboriginal organisations in Victoria, 26 are registered as co-operatives with a membership of 3,000, which is almost half the Victorian Aboriginal population.

Membership of Aboriginal co-operatives is usually restricted to Aboriginal people resident in a defined area.

Nearly half (12) of these co-operatives are involved in the general well-being and advancement of their communities; others have more specific concerns in the areas of housing (2), child care (2), health (2) and alcohol rehabilitation (2), art and craft (2), legal services (1), sport and recreation (1). The majority (14) are situated in rural centres. The dominance of co-operatives in the Victorian Aboriginal community relates both to past government regulation and their suitability for adaptation to fit within the traditional, non-hierarchical forms of Aboriginal society.

MACC believes that the plans to form a sector association for Aboriginal co-operatives some years ago, need to be revived.

## FOOD

A co-operative warehouse and development centre are awaiting decision on funding as part of the Government's Social Justice Strategy package.

A study by the Victorian Food Co-operative Study Group into low income, community based food co-operatives concluded that a central supply system or warehouse was essential if this developing sector was to gain a competitive edge. A survey of fifty food co-operatives around the State by the Study Group also found that the majority needed training in management, organisation and planning if they were to survive as businesses. Most of these groups are in a pre-co-operative stage, waiting on the Government's funding decisions on the warehouse and development centre, before committing themselves to register.

Evidence from overseas, particularly the U.S.A. was consistent with the Study Group's findings, confirming that the provision of bulk buying facilities and resource support will be a precondition to further sector development.

Resourcing and training of community-based food co-operatives was funded through the Department of Employment and Industrial Affairs. A study was carried out investigating the feasibility of establishing a sector association.

Thirty five Victorian food co-operatives have formed Moving Food Co-operative Ltd, which is to supervise the warehouse operation. The aim is to establish an economically viable business after three years of operation, with an estimated sales volume of \$1.6 million.

## WORKER

Worker co-operatives were among the first co-operatives to be formed in Victoria, but mainly due to a lack of adequate access to sufficient capital, they died out by the end of World War I. In the 1970's interest reawakened in this type of co-operative, in the wake of the rise in unemployment and an increasing interest in self-management. This is reflected in an enormous growth in the worker co-operative movement in many OECD countries.

Worker co-operatives are formed by workers of all types who associate in order to exercise their professions in common in an enterprise managed by them.

In the European Economic Community, there were in 1981, 13,900 worker co-operatives employing 520,000 people with a combined turnover of \$8.4 billion. Over half of these co-operatives had commenced activity in the preceding five years. In Quebec, Canada, there are around 250 worker co-operatives operative in all sectors of the economy from producing blueberries and maple syrup to computer software.

The interest of the Victorian Government began with the establishment of the Victorian Employment Committee in 1979. Since 1981, the Co-operative Development Program within the then Ministry of Employment and Training, has provided grants and loans to assist the establishment of seven worker co-operatives.

The program attempted to establish an infrastructure of support and training, working through other institutions such as the Preston College of TAFE. The then Minister of Employment and Training also commissioned a feasibility study on establishing an association of worker co-operatives, one of whose functions would be to take over much of the infrastructural support role.

In evaluating the Co-operative Development Program, Cruickshank Management Resources Pty Ltd argued against direct government involvement in co-operative development and recommended the establishment of a Worker Co-operative Development Agency in which "The Minister and Ministry have no direct line authority over the WCDA, its funding policy or way of operating." It recommended there should be a contractual relationship "specifying non-interference, responsibility of achievement of aims within the policy framework set. This neutralises all lobbying, bureaucratic pressures, competing priorities etc." (See the "Evaluation Study of the Co-operative Development Program of the Ministry of Employment and Training", Government of Victoria, 1983.)

One of the most important areas for co-operative development is in conversion and transformation. Conversion co-operatives are established where there is a previously existing private enterprise that has succumbed to economic difficulties. Here the workers, rather than being retrenched, decide to take over the enterprise and operate it as a worker co-operative once the viability of continuing has been established. This has the advantage of saving jobs that would otherwise be lost and maintaining in operation productive apparatus which would lie idle. Conversion co-operatives can be very successful where an enterprise goes into liquidation due to poor management or where a smaller business has been taken over by a larger one which wants to strip the assets of its new subsidiary.

Transformation co-operatives are businesses, usually small enterprises, where the owner/manager is intending to retire and there is no clear succession. In these cases the owner is quite often sympathetic to the employees taking over the business in the form of a worker co-operative. In France, transformations have led to the establishment of many highly successful worker co-operatives. Transformations have the advantage of the enterprise usually being in a relatively healthy state with good markets, as compared to conversions where production has often halted and the market dwindled. Transformations also offer the possibility of a smooth changeover and of maintaining some involvement of the previous management to advise the new co-operatives. Both conversions and transformations offer desirable alternatives to self-employment or take-over by foreign corporations.

## COMMUNITY SETTLEMENT

Provision is made under the current Co-operation Act for people to form a community settlement co-operative for the purpose of acquiring land for settlement and other purposes. As the purchase of property usually requires a large financial commitment, many people, by virtue of their economic status, have been prohibited from acquiring land for the purpose of erecting dwellings and undertaking farming or horticultural activities. With the increase in land speculation and the trend toward larger landholdings, land is becoming out of the reach of the average Australian, particularly those on low incomes.

Community settlement co-operatives provide an alternative to the purchase of private property. In these type of co-operatives the land is collectively owned by all members and it is common practice for members to be given certain rights as to the use of the land, for instance, in the erection of housing or the provision of gardens. It is not uncommon for these co-operatives to provide common services to all members, such as water supply, schools, equipment and community facilities.

The organisation of these co-operatives can take many forms, from tight knit communities where all members pursue a common goal to those where members have no obligation to use the co-operative's services other than for the purpose of erecting dwellings.

There are currently 25 community settlement co-operatives registered under the Co-operation Act, of which 15 were formed in the last ten years.

A new type of co-operative aims to go a step further and not only provide for collective ownership of land, but also enable a group to work and live together on a more inter-dependent and sharing basis. Known as sustainable community settlement societies, a report (ISBN07241 49007) has been published by the Registry of Co-operatives, and a group at Kangaroo Ground has the support in principle of the Ministry of Housing.

Moves are being made towards the formation of a sector association.

## EQUITY HOUSING

Since the introduction of their own Act in 1944, co-operative housing societies have acted as brokers, wholesaling loans to groups of home builders. During the 1950's and 60's, a major proportion of subsidised Commonwealth State Housing Agreement funds were directed to homebuyers through co-operative housing societies.

In recent years, the flow of government home finance funds towards the societies has stabilised, but this has been more than compensated for with a surge of \$167 million having been provided by the State Bank over the last 18 months for lending through the societies. For the first time, the State Bank is making finance available to the societies without requiring government guarantees.

It is expected that the number of societies will continue to decline from its current level of 1,290 due to amalgamations and the increasing trend towards establishing continuing series societies, rather than one-off, terminating societies. The size of loans made and the membership numbers, however, are both expected to continue to increase.

There would seem further potential for growth for societies prepared to develop innovative loan instruments, such as the low start, capital indexed loan structures now used by the Ministry of Housing's Home Finance Branch.

What is in effect a sector association was established in 1975—the Federation of Housing Societies of Victoria.

The Federation in conjunction with the Registry of Co-operatives is developing an equity co-operative. As members are expected to make a personal investment, rights to capital gains form part of this model. Equity co-operatives are widespread overseas, and given the increasing cost of housing, their development could well prove appropriate in meeting housing needs.

## RENTAL HOUSING

Since 1978, seventeen non profit rental housing co-operatives have been established leasing over 350 spot purchased homes through the Ministry of Housing.

In a rental housing co-operative, members do not have to provide any equity which ensures the co-operative remains accessible to those on low incomes. Further, it prevents members from taking any capital gains when they leave, keeping down the cost of housing.

The Victorian Government last year spent over \$10 million purchasing homes for rental housing co-operatives. The Ministry retains title and grants a head lease to the co-operative. Members take a sub-lease from the co-operative and must fall within Ministry of Housing income eligibility criteria.

Community housing groups, Shelter, and a co-operative, the Rental Housing Co-operative Advice Service (CHAS), have developed another form of rental housing co-operative which aims to utilise private sector finance and provide for a mix of low and middle income members. The Federal Government is making funds available for these common equity rental co-operatives. \$2.2 million is available within this financial year to act as a deposit for about five co-operatives with a total of 50 houses. \$1.3 million has already been raised through the State Bank of Victoria.

The establishment of common equity co-operatives heralds the start of a community housing sector which is tenant controlled and provides an alternative to the public housing authority. Responsibility for policy and funding advice is currently in the hands of a body known as the Common Equity Rental Co-operatives (CERC) Sub-Committee, which receives funding for secretarial support from the Federal Government. The Sub Committee representation comes from Shelter, CHAS and rental co-operative tenants, with minority representation from the Federal Department of Housing and Construction and the State Ministry of Housing.

It is intended to establish a program management co-operative with majority representation from CERCs which would take over from the Sub-Committee. A resourcing co-operative has been set up to provide member training and to supervise purchase/construction of housing.

The government funds are to be mixed with a similar amount borrowed on the private market through a finance company set up by the community housing groups. Shareholders of the company will be made up of members from those common equity co-operatives approved for funding. The State Government will be providing rent rebates to low income earners, thus enabling them to join a common equity rental co-operative.

The concept of common equity co-operatives is based largely on Canadian experience. Over 35,000 households have joined over 900 rental co-operatives in Canada since they first began in 1973.

## DISABLED

In recent years there has been increased interest in the development of co-operatives for those who have physical and/or intellectual disabilities.

Vocational options for people who have intellectual disabilities are particularly limited. In 1982 in Victoria there were 2,902 children and adults in day training centres and 1,461 adults in sheltered workshops. Neither day training centres nor sheltered workshops provide much scope for the progression of workers into open employment. Few opportunities exist for skill development and there is little innovation or worker participation in decision-making.

Co-operatives for disabled workers are most advanced in Poland. Polish law requires that 75% of workers and board members in these type of co-operatives must have disabilities. In 1981 there were 436 co-operatives providing employment for 270,000 workers, of whom 200,000 had disabilities.

The Inner Urban Co-operative in Collingwood is Victoria's first co-operative to employ a majority of intellectually disadvantaged workers. A clothing manufacturing business, the co-operative was established in 1983 and employs seven workers. Workers hold their own meetings and may attend management committee meetings. There are two worker advocates to ensure full participation by the workers in the day to day affairs of the co-operative.

A rental housing co-operative for both the physically and intellectually disabled was established in Camberwell in 1983. Funds for any special renovations required are paid by the Ministry of Housing, while funding for extra staff support comes from the Health Commission budget. The co-operative has bought 14 houses scattered throughout Camberwell and neighbouring municipalities.

Objectives of the co-operative are to provide normal living conditions outside an institution within a supportive framework which is controlled by the disabled themselves.

The development of co-operatives for people who have physical and/or intellectual disabilities should be explored further by the proposed Office of Co-operatives and the State Department of Community Services.